

**GRANGER-HUNTER IMPROVEMENT DISTRICT**

FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITORS' REPORTS

DECEMBER 31, 2005

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# PINNOCK, ROBBINS, POSEY & RICHINS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Granger-Hunter Improvement District  
Salt Lake City, Utah

We have audited the accompanying basic financial statements of Granger-Hunter Improvement District as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Granger-Hunter Improvement District as of December 31, 2005, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 25, 2006, on our consideration of Granger-Hunter Improvement District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pinnock, Robbins, Posey & Richins

April 25, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Granger-Hunter Improvement District's (the District) annual financial report presents our analysis of the District's financial performance during the year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements and accompanying notes to enhance their understanding of the District's financial activities.

### Financial Highlights:

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$96,501,446 (net assets). Of this amount, \$28,813,744 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$2,892,681. Approximately 45% of this increase is made up of one-time impact fee charges that are restricted to pay for capital improvements to accommodate growth within the District. The remaining increase includes net revenues (38%) and developer contributed water and sewer lines (17%).
- The District's operating revenues increased by \$1,909,214 (11.0%) in comparison with the prior year. The key factors in this change included water and sewer rate increases that took affect on January 1, 2005 and a small amount of growth in new connections.
- The District's total debt increased by \$2,494,113. The key factor in this increase is due to the District's share of new debt incurred by the Central Valley Water Reclamation Facility.

### Overview of Financial Report:

This annual report consists of two parts: Management's Discussion and Analysis and Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's analysis of the District's financial condition and performance.

The financial statements report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. They include a balance sheet; a statement of revenues, expenses and changes in net assets; a statement of cash flows; and notes to the financial statements. The balance sheet presents the financial position of the District on a full accrual historical cost basis. While the balance sheet provides information about the nature and amount of resources and obligations at year end, the statement of revenues, expenses and changes in net assets presents the results of business activities over the course of the year and information as to how the net assets changed during the year. The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, non-capital and related financing, capital and related financing, and investing activities. In other words, it provides information regarding where the cash came from and how it was used, and the change in cash balance during the reporting period. The notes to the financial statements provide required disclosures and other information that are essential to the full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances, obligations, commitments, contingencies and subsequent events, if any.

### Financial Analysis:

To begin our analysis, a summary of the District's balance sheet is presented in the schedule below.

**Granger-Hunter Improvement District  
Condensed Balance Sheet**

	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$ 44,092,174	\$ 39,746,821
Capital Assets	<u>69,286,427</u>	<u>67,648,370</u>
Total Assets	<u>\$ 113,378,601</u>	<u>\$ 107,395,191</u>
Current Liabilities	\$ 3,261,592	\$ 2,339,298
Noncurrent Liabilities	<u>13,615,563</u>	<u>11,447,128</u>
Total Liabilities	<u>16,877,155</u>	<u>13,786,426</u>
Net Assets Invested in Capital Assets, Net of Related Debt	62,053,330	55,431,242
Net Assets Restricted	5,634,372	7,570,647
Net Assets Unrestricted	<u>28,813,744</u>	<u>30,606,876</u>
Total Net Assets	<u>96,501,446</u>	<u>93,608,765</u>
Total Liabilities and Net Assets	<u>\$ 113,378,601</u>	<u>\$ 107,395,191</u>

The balance sheet includes all of the District's assets and liabilities, and equity which is categorized as either invested in capital assets, net of related debt; restricted; or unrestricted. Net assets may serve as a useful indicator of a government's financial position. As can be seen from the schedule above, assets exceeded liabilities by \$96,501,446 at the end of the year, an increase of 11.0% compared to last year. The largest portion of the District's net assets, \$62,053,330 (64.3%), reflects its investment in capital assets (e.g., land, buildings, water and sewer lines, and equipment). The District uses these capital assets in its daily operations; consequently, they are not available for future spending. An additional portion of the District's net assets, \$5,634,372 (5.8%) represents resources that are subject to external restrictions on how they may be used.

While the balance sheet shows the change in financial position of net assets, the summary of the District's statement of revenues, expenses and changes in net assets, provides information regarding the nature and source of these changes as seen in the following schedule. Net assets increased in 2005 by \$2,892,681.

**Granger-Hunter Improvement District  
Condensed Statement of Revenues, Expenses, and Changes in Net Assets**

	<u>2005</u>	<u>2004</u>
Operating Revenues	\$ 19,214,483	\$ 17,305,269
Non-operating Revenues	<u>5,416,599</u>	<u>5,975,300</u>
Total Revenues	<u>24,631,082</u>	<u>23,280,569</u>
Depreciation and Amortization Expense	3,933,593	3,858,267
Other Operating Expense	15,416,203	15,313,096
Non-operating Expense	<u>2,879,110</u>	<u>1,854,554</u>
Total Expenses	<u>22,228,906</u>	<u>21,025,917</u>
Income Before Capital Contributions	2,402,176	2,254,652
Capital Contributions	<u>490,505</u>	<u>376,650</u>
Change in Net Assets	2,892,681	2,631,302
Net Assets - Beginning of Year (as restated)	<u>93,608,765</u>	<u>90,977,463</u>
Net Assets - Ending of Year	<u>\$ 96,501,446</u>	<u>\$ 93,608,765</u>

## Capital Asset and Debt Administration:

**Capital assets.** The District's investment in capital assets as of December 31, 2005, amounts to \$69,286,427 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer systems, and machinery and equipment. The District's investment in capital assets for the current fiscal year increased by 2.4 percent overall.

Major capital asset events during the current fiscal year included the following:

- Installation of the 6400 West pipeline to serve residential development in the District's zone 5.
- Replacement of a water line in Redwood Road in advance of a major reconstruction project by the Utah Department of Transportation.
- Installation of a new water line between well 8 and well 14 to provide backup service and to allow blending of the water in order to be in compliance with state and federal regulations
- Replacement of old cast iron water pipelines with new and larger PVC pipe.
- Purchase of new water meters and MXU's which allow for electronic radio reading of meters.
- Upgrade to the Breeze Booster Station and other well enhancements
- Sewer main lining project
- Water and sewer lines contributed to the District by developers.

### Capital Assets Net of Depreciation

	2005	2004
Land	\$ 1,910,227	\$ 1,910,227
Buildings and improvements	4,587,218	4,807,638
Water system	21,782,376	20,359,357
Sewage pumping plant	8,227,178	8,498,113
Sewage collection lines	29,048,512	30,087,019
Transportation equipment	592,559	671,140
Engineering and other equipment and tools	1,683,069	1,191,121
Office furniture and equipment	18,016	39,916
Construction in progress	1,437,272	83,839
TOTAL	<u>\$ 69,286,427</u>	<u>\$ 67,648,370</u>

Additional information on the District's capital assets can be found in Note 3.

**Long-term debt.** At the end of the current fiscal year, the District had total debt of \$14,711,241. The debt represents bonds secured solely by specified revenue sources. The District's debt increased by \$2,494,113 during the current fiscal year due to the net effect of the refinancing of the District's 1998 Water and Sewer Revenue and Refunding Bonds, which resulted in a reduction in debt of \$4,984,032, and the recording of the District's share of the Central Valley Water Reclamation Facility bond of \$7,478,145. The District has no outstanding general obligation debt.

### Long-Term Debt

	<u>2005</u>	<u>2004</u>
Special assessment bonds	\$ 163,000	\$ 318,000
Water and sewer revenue bonds, net of bond premium	<u>14,548,241</u>	<u>11,899,128</u>
TOTAL	<u>\$ 14,711,241</u>	<u>\$ 12,217,128</u>

The District maintains an insured "AAA" debt rating from Standard & Poors on its revenue bond debt.

Additional information on the District's long-term debt can be found in Note 6.

#### Final Comments:

This financial report is designed to provide taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Controller of the Granger-Hunter Improvement District, 2888 South 3600 West, West Valley City, Utah 84170 or by telephone (801)968-3551.



GRANGER-HUNTER IMPROVEMENT DISTRICT

BALANCE SHEET

DECEMBER 31, 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 11,773,992
Receivables:	
Property tax	135,981
Water and sewer charges, net of allowance for doubtful accounts of \$70,000	2,498,584
Unremitted property liens	3,381
Inventory	<u>616,342</u>

TOTAL CURRENT ASSETS 15,028,280

RESTRICTED CASH AND CASH EQUIVALENTS 5,634,372

CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION) 69,286,427

OTHER ASSETS:

Advances to Central Valley Water Reclamation Facility	264,050
Investment in Central Valley Water Reclamation Facility	23,042,328
Water rights	57,601
Deferred bond issuance costs, net	<u>65,543</u>

TOTAL OTHER ASSETS 23,429,522

TOTAL NONCURRENT ASSETS 98,350,321

TOTAL ASSETS \$ 113,378,601

## LIABILITIES AND NET ASSETS

### CURRENT LIABILITIES:

Accounts payable	\$ 1,125,034
Accrued and other liabilities	583,915
Due to other governmental units	106,467
Accrued interest on bonds payable	274,129
Revenue bonds payable – current	1,095,678
Customer water deposits	<u>76,369</u>

TOTAL CURRENT LIABILITIES	<u>3,261,592</u>
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### NONCURRENT LIABILITIES:

Revenue bonds payable (net of unamortized premium and discount)	<u>13,615,563</u>
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TOTAL NONCURRENT LIABILITIES	<u>13,615,563</u>
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TOTAL LIABILITIES	<u>16,877,155</u>
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### NET ASSETS:

Invested in capital assets, net of related debt	62,053,330
Restricted for:	
Capital improvements	5,434,365
Debt service	200,007
Unrestricted	<u>28,813,744</u>

TOTAL NET ASSETS	<u>96,501,446</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 113,378,601</u>
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**GRANGER-HUNTER IMPROVEMENT DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

OPERATING REVENUES:	
Metered water sales	\$11,146,890
Sewer service charges	7,732,140
Other	<u>335,453</u>
TOTAL OPERATING REVENUES	<u>19,214,483</u>
OPERATING EXPENSES:	
Direct operation and maintenance	13,108,166
General and administrative	2,308,037
Depreciation and amortization	<u>3,933,593</u>
TOTAL OPERATING EXPENSES	<u>19,349,796</u>
OPERATING (LOSS)	<u>(135,313)</u>
NON-OPERATING REVENUES (EXPENSES):	
Property taxes	3,372,374
Impact fees	1,292,744
Interest income	709,615
Gain on disposal of assets	41,866
Interest expense	(1,056,712)
Equity in net loss of Central Valley Water Reclamation Facility	<u>(1,822,398)</u>
TOTAL NON-OPERATING REVENUES	<u>2,537,489</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,402,176
DEVELOPER CONTRIBUTED WATER AND SEWER LINES	<u>490,505</u>
CHANGE IN NET ASSETS	2,892,681
NET ASSETS - BEGINNING OF YEAR	<u>93,608,765</u>
NET ASSETS - END OF YEAR	<u>\$96,501,446</u>

**GRANGER-HUNTER IMPROVEMENT DISTRICT**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from customers and users	\$18,972,242
Payments to suppliers	(11,806,691)
Payments to employees	<u>(3,062,189)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 4,103,362

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:**

Property taxes collected	<u>3,343,815</u>
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**NET CASH PROVIDED BY NON-CAPITAL  
FINANCING ACTIVITIES** 3,343,815

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING  
ACTIVITIES:**

Impact fees received	1,399,211
Proceeds from capital debt	7,564,633
Proceeds from bonds issued by Central Valley Water Reclamation Facility	7,478,145
Payment of bond issuance cost	(70,434)
Acquisition and construction of capital debt	(5,076,255)
Principal paid on capital debt	(12,460,014)
Interest paid on capital debt	(932,301)
Proceeds from sale of assets	<u>41,866</u>

**NET CASH (USED IN) CAPITAL AND RELATED  
FINANCING ACTIVITIES** (2,055,149)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Capital acquisitions in Central Valley Water Reclamation Facility	(414,572)
Capital distributions from Central Valley Water Reclamation Facility	360,095
Payments for change in ownership in Central Valley Water Reclamation Facility	(2,041,456)
Interest received	<u>709,615</u>

**NET CASH (USED IN) INVESTING ACTIVITIES** (1,386,318)

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 4,005,710

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** 13,402,654

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$17,408,364

**CASH APPEARS ON THE BALANCE SHEET AS FOLLOWS:**

Cash and cash equivalents - unrestricted	\$11,773,992
Cash and cash equivalents - restricted	<u>5,634,372</u>

\$17,408,364

**GRANGER-HUNTER IMPROVEMENT DISTRICT**

**STATEMENT OF CASH FLOWS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

**RECONCILIATION OF OPERATING (LOSS) TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:**

Operating (loss)	\$ (135,313)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation and amortization	3,933,593
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	(251,528)
Inventory	133,969
Increase (decrease) in:	
Accounts payable	138,485
Accrued and other liabilities	274,869
Customer water deposits	<u>9,287</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** **\$ 4,103,362**

**NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:**

The District received water and sewer lines from subdividers in the amount of \$490,505 in 2005, which represent the fair value of lines deeded to the District. These additions were accounted for as capital contributions in the statement of revenues, expenses and changes in net assets.

The District recognized its proportionate share of equity in the net loss of Central Valley Water Reclamation Facility in the amount of \$1,822,398 for the year ended December 31, 2005.

# **GRANGER-HUNTER IMPROVEMENT DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

### **1. SUMMARY OF ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

#### **A. Reporting Entity**

Granger-Hunter Improvement District (the District) is a municipal corporation governed by an elected three member board. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The District was established by resolution of the Board of County Commissioners of Salt Lake County in 1950. Salt Lake County has no oversight responsibility over the District and the District is not reported as a component unit of Salt Lake County. The District has no blended or discretely presented component units.

#### **B. Measurement Focus and Basis of Accounting**

The District is an enterprise fund, which is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis are financed or recovered primarily through user charges. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

#### **C. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments are carried at cost which approximates market.

#### **D. Restricted Cash and Cash Equivalents**

Certain resources set aside for bond repayment are classified as restricted on the balance sheet because their use is limited by applicable bond covenants. Other cash accounts are restricted by state law.

# GRANGER-HUNTER IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

#### E. Inventory

The District's inventory is comprised of water meters, replacement parts and supplies used in the construction and repair of water and sewer lines. The District values its inventory at the lower of cost or market using the first-in, first-out (FIFO) method.

#### F. Capital Assets

Capital assets are stated at cost. Normal maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. The net book value of property sold or otherwise disposed of, is removed from the property and accumulated depreciation accounts and the resulting gain or loss is included in income.

Capital assets donated to the District are recorded at the estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. No interest was capitalized during the current fiscal year.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

Sewer and Water Lines	10-60 years
Office Building	10-40 years
Furniture and Fixtures	2-10 years
Automobiles and Trucks	3-10 years
Tools and equipment	1-10 years

#### G. Joint Venture

The District accounts for its interest in a joint venture using the equity method of accounting.

#### H. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. All full time employees may carry a maximum of ten days accrued vacation time from year to year, and will not be permitted to accrue more than the employee's regular earned vacation time plus ten accrued vacation days from the prior year. All vested vacation benefits shall be paid upon termination of employment.

Unused sick leave may be carried over from one year to the next. Upon retirement, an employee may elect to apply unused sick leave in one of the following two ways:

1. Receive payment in cash equal to one hundred percent of the value of the employee's accrued and unused sick leave; or
2. Exchange twelve hours of unused sick leave for one month's coverage under the District's group health and accident plan. This benefit is available until the employee is eligible for Medicare benefits.

# GRANGER-HUNTER IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

#### **H. Vacation, Sick Leave, and Other Compensated Absences (continued)**

In the event of termination other than retirement, unused sick leave will be lost.

#### **I. Allowance for Doubtful Accounts**

The District recorded bad debt expense in setting up an allowance for doubtful accounts on water and sewer fees during the current fiscal year. Unpaid fees are certified to the county and attached as liens on the related real estate where allowable.

#### **J. Property Tax Revenues**

Property taxes are levied on January 1st based on the assessed value of property as listed on the previous May 31st. Assessed values are an approximation of market value. An evaluation of all real property must be made every year by the county assessor. Property taxes are delinquent after November 30. The District's tax rate for 2005 was .000756. The District appropriates the entire amount to operations and maintenance. The statutory maximum set by the state for operations and maintenance is .000800. There is no statutory maximum for the reduction of general obligation bonds.

#### **K. Budgetary Accounting**

For management and control purposes, the District adopts and maintains a budget each year. The budget is maintained on a cash basis. Items budgeted, but not expended, are not carried over to succeeding years. Each budget item must be reapproved in each budget year.

### **2. DEPOSITS AND INVESTMENTS**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

#### **A. Deposits**

	<u>Bank Balances</u>	<u>Book Balances</u>
Cash on hand	\$ —	\$ 95
Cash on deposit	<u>4,996</u>	<u>2,301</u>
TOTAL	<u>\$ 4,996</u>	<u>\$ 2,396</u>



**GRANGER-HUNTER IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**2. DEPOSITS AND INVESTMENTS (CONTINUED)**

***Custodial Credit Risk:*** Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of December 31, 2005, none of the District's bank balances were uninsured and uncollateralized.

**B. Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury, including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "a" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2005, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
State of Utah Public Treasurer's Investment Fund	\$13,052,213	\$13,052,213	\$ -	\$ -	\$ -
Grand Cayman	<u>4,353,755</u>	<u>4,353,755</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$17,405,968</u>	<u>\$17,405,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**GRANGER-HUNTER IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**2. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. As of December 31, 2005, the District's investments in the State of Utah Public Treasurer's Investment Fund were unrated.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

**3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,910,227	\$ -	\$ -	\$ 1,910,227
Construction in progress	83,839	1,437,272	(83,839)	1,437,272
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	1,994,066	1,437,272	(83,839)	3,347,499
Capital assets, being depreciated:				
Buildings and improvements	6,633,272	-	(711)	6,632,561
Water system	37,920,105	2,630,037	(16,518)	40,533,624
Sewage pumping plant	12,268,395	104,395	-	12,372,790
Sewage collection lines	47,743,456	584,229	-	48,327,685
Transportation equipment	2,532,749	185,813	(119,934)	2,598,628
Engineering and other equipment and tools	3,924,036	708,852	(194,813)	4,438,075
Office furniture and equipment	381,646	-	(24,534)	357,112
TOTAL CAPITAL ASSETS BEING DEPRECIATED	111,403,659	4,213,326	(356,510)	115,260,475

**GRANGER-HUNTER IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and improvements	\$(1,825,634)	\$ (220,420)	\$ 711	\$(2,045,343)
Water system	(17,560,748)	(1,207,018)	16,518	(18,751,248)
Sewage pumping plant	(3,770,282)	(375,330)	-	(4,145,612)
Sewage collection lines	(17,656,437)	(1,622,736)	-	(19,279,173)
Transportation equipment	(1,861,609)	(264,394)	119,934	(2,006,069)
Engineering and other equipment and tools	(2,732,915)	(216,904)	194,813	(2,755,006)
Office furniture and equipment	<u>(341,730)</u>	<u>(21,900)</u>	<u>24,534</u>	<u>(339,096)</u>
 TOTAL ACCUMULATED DEPRECIATION	 (45,749,355)	 (3,928,702)	 356,510	 (49,321,547)
 TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	 65,654,304	 284,624	 -	 65,938,928
 CAPITAL ASSETS, NET	 <u>\$67,648,370</u>	 <u>\$ 1,721,896</u>	 <u>\$ (83,839)</u>	 <u>\$69,286,427</u>

**4. REVENUE BOND FUNDS**

The Board of Trustees for the District has adopted certain resolutions pertaining to the issuance of revenue bonds. These resolutions require certain "funds" to be established to account for the District's receipts, disbursements, and bond payments. Such "funds" are restricted accounts within the District's records and are not separate groups of self balancing accounts. The assets held in these funds are restricted for the purpose stipulated in the resolutions.

Restricted assets at December 31, 2005 represent cash and investments restricted for purposes of the Revenue Bond Funds held in trust of \$200,007.

**5. UNREMITTED PROPERTY LIENS**

Unremitted property liens as of December 31, 2005, in the amount of \$3,381 represent the total amount of past due accounts receivable, which have been referred to the Salt Lake County Treasurer's office for attachment to the related real estate property as liens.

**6. LONG-TERM DEBT**

***Revenue Bonds***

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$16,311,615. During the year, revenue bonds totaling \$7,480,000 were issued to refund the Series 1998 water and sewer revenue refunding bonds. Revenue bonds outstanding at December 31, 2005 were as follows:

**GRANGER-HUNTER IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**6. LONG-TERM DEBT (CONTINUED)**

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Special assessment	5.25%	\$ 163,000
Refunding	3.25% - 4.00%	<u>7,480,000</u>
		<u>\$ 7,643,000</u>

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2006	\$ 673,000	\$ 274,451	\$ 947,451
2007	525,000	249,075	774,075
2008	550,000	231,606	781,606
2009	550,000	213,731	763,731
2010	580,000	195,369	775,369
2011-2015	3,270,000	613,320	3,883,320
2016-2020	<u>1,495,000</u>	<u>56,072</u>	<u>1,551,072</u>
TOTALS	<u>\$ 7,643,000</u>	<u>\$ 1,833,624</u>	<u>\$ 9,476,624</u>

***Central Valley Revenue Bonds***

During the year, Central Valley Water Reclamation Facility issued taxable sewer revenue bonds totaling \$35,000,000 to fund the post-1993 ownership of the treatment facility. The bonds bear interest at 3.00%. The District's share of the bonds is \$10,466,205.

A portion of the revenue bonds issued during 2005 was distributed to the members. Although the revenue bonds are in the name of Central Valley, the members are responsible to fund debt service requirements over the life of the bonds. The amount distributed to members was \$23,000,000. The remaining bond funds drawn down as of December 31, 2005 (\$7,500,000) are being used to fund a Central Valley project and will become the members' obligation upon completion of the project. The District's share of the \$23,000,000 bonds distributed is \$7,478,145.

The District's share of the Central Valley revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2006	\$ 422,678	\$ 289,168	\$ 711,846
2007	435,683	284,820	720,503
2008	438,935	271,749	710,684
2009	445,437	258,581	704,018
2010	471,448	245,218	716,666
2011-2015	2,568,580	1,005,063	3,573,643
2016-2020	<u>2,695,384</u>	<u>744,043</u>	<u>3,439,427</u>
TOTALS	<u>\$ 7,478,145</u>	<u>\$ 3,098,642</u>	<u>\$ 10,576,787</u>

**GRANGER-HUNTER IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**6. LONG-TERM DEBT (CONTINUED)**

***Advance Refundings***

The government issued Water and Sewer Revenue Refunding Bonds, Series 2005, in February 2005. The proceeds of the bond issue, along with funds provided by the District, were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$11,875,000 of the Water and Sewer Revenue and Refunding Bonds, Series 1998. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the balance sheet. The reacquisition price exceeded the net carrying amount of the old debt by \$551,439. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is shorter than the life of the refunded debt.

***Changes in Long-Term Debt***

Long-term debt activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 12,193,000	\$ 7,480,000	\$(12,030,000)	\$ 7,643,000	\$ 673,000
Less deferred amounts on refunding	-	(551,439)	67,219	(484,220)	-
Add bond premiums	24,128	84,633	(34,445)	74,316	-
CVWRF revenue bonds	-	<u>7,478,145</u>	<u>-</u>	<u>7,478,145</u>	<u>422,678</u>
 TOTAL BONDS PAYABLE	 <u>\$ 12,217,128</u>	 <u>\$ 14,491,339</u>	 <u>\$(11,997,226)</u>	 <u>\$ 14,711,241</u>	 <u>\$ 1,095,678</u>

Total interest expense incurred on long-term debt for the year ended December 31, 2005 was \$1,056,712, of which none was capitalized.

**7. PROPERTY TAX REVENUE**

The District's total tax rate is .000756. The entire amount is used to meet operating and maintenance expenses. Property tax revenue for the year ended December 31, 2005 was \$3,372,374.

**8. PENSION PLAN**

***District Plan*** – The District sponsors a non-contributory defined contribution retirement benefit plan covering substantially all of its employees. Employer contributions under this plan during 2005 was \$487,808, which represents 15.57% of covered payroll amounting to \$3,133,232. Employee contributions under this plan were \$65,510 for 2005.

***Utah State Retirement System*** – The District contributes to the Local Government Noncontributory Retirement System (System). The System is a cost sharing multiple employer defined benefit pension plan administered by the Utah Retirement Systems. The Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

## GRANGER-HUNTER IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **8. PENSION PLAN (CONTINUED)**

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1(800)365-8772.

The District was required to contribute 11.09% of covered salary to the Noncontributory System for 2005. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District's contributions to the Noncontributory System for the years ending December 31, 2005, 2004 and 2003 respectively were \$347,476, \$299,799, and \$245,383. The contributions were equal to the required contributions for each year. Covered salaries for the years ending December 31, 2005, 2004 and 2003 respectively were, \$3,133,232, \$2,891,704, and \$2,679,840.

#### **9. DEFERRED COMPENSATION PLAN**

The Utah Retirement Systems have adopted Governmental Accounting Standards Board Statement 32 (GASB No. 32), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plans as a "Trust Fund" rather than as an "Agency Fund". Currently, all of the assets and income of the 457 Plan are held in trust by the Utah Retirement Systems for the exclusive benefit of the participants or their beneficiaries rather than as assets of the District. Employer paid contributions for the years ending December 31, 2005, 2004, and 2003 were \$32,725, \$24,599, and \$20,723, respectively.

#### **10. CENTRAL VALLEY WATER RECLAMATION FACILITY**

During 1981, the District entered into a joint venture with four other special districts and two cities. The joint venture was organized to construct and operate a regional sewage treatment facility, for the benefit of the seven members. The seven members and their related ownership interest, as of December 31, 2005 are as follows:

	<u>Original Facility</u>	<u>New Expansion</u>	<u>Enhancements</u>	<u>Digesters</u>
Cottonwood Improvement District	19.569%	7.3215%	18.1191%	8.042%
Salt Lake City Suburban Sanitary District #1	25.622	23.6177	24.7780	20.080
Granger-Hunter Improvement District	21.124	25.4755	20.2376	25.050
Kearns Improvement District	5.978	24.0002	11.2654	28.435
Murray City	8.892	6.8421	8.0168	6.280
South Salt Lake City	6.120	2.5074	5.0980	1.378
Taylorsville-Bennion Improvement District	<u>12.695</u>	<u>10.2356</u>	<u>12.4851</u>	<u>10.735</u>
	<u>100.000%</u>	<u>100.0000%</u>	<u>100.0000%</u>	<u>100.000%</u>

**GRANGER-HUNTER IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**10. CENTRAL VALLEY WATER RECLAMATION FACILITY (CONTINUED)**

During 2005, Central Valley adopted a change to the member entities' percentage of ownership in the "new expansion" and the "digesters". The District's percentage ownership in the new expansion increased from 22.4545% to 25.4755%, and its percentage ownership in the digesters increased from 15.40916% to 25.050%. As a result of the changes in ownership, the District paid \$2,519,766, including interest.

The joint venture is administered by a joint administration board. Each member appoints one member to the board, and voting power is not related to ownership. Therefore, each member is equal to another for voting privileges. The joint venture is responsible for adopting a budget and financing its operations, subject to the approval by each of the seven members.

The District accounts for its investment in Central Valley using the equity method of accounting. Summarized financial information of Central Valley as of December 31, 2005 and for the year then ended is as follows (in thousands):

	<u>2005</u>
Total assets	\$ 137,866
Total net assets	104,197
Revenue	9,475
Change in net assets	(6,777)
The District's interest in:	
Equity	23,042
Net loss	(1,822)

The District has recorded in prior years its previous proportionate share (21.124%) of the government grants received by Central Valley as an addition to the District's investments in Central Valley and to the District's contributions in aid of construction. All expenses (except depreciation) incurred by Central Valley are billed to its members. Accordingly, the District's equity in net losses of Central Valley annually approximates its share of Central Valley's depreciation expense. Audited statements are available at Central Valley Water Reclamation Facility, 800 West Central Valley Road, Salt Lake City, UT 84119.

The District incurred the following costs from the joint venture for the year ended December 31, 2005:

Administration	\$ 306,830
Operations and maintenance	<u>1,889,973</u>
TOTAL	<u>\$ 2,196,803</u>
TOTAL EQUITY INVESTMENT IN CENTRAL VALLEY	<u>\$23,042,328</u>

**11. COMMITMENTS AND CONTINGENCIES**

An agreement has been made with Jordan Valley Water Conservancy District, which provides, in general, that the District will purchase a minimum of 16,500 acre feet of water in 2005 from the Conservancy District. The minimum amount increases gradually to 18,500 acre feet of water in 2013. During 2005, the District purchased approximately 16,920 acre feet of water, which cost \$5,901,514.

During the year, the District entered into contracts for construction of water facilities. As of December 31, 2005, there was approximately \$1,602,000 outstanding on the contracts.

**GRANGER-HUNTER IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**11. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The District's 2005 series bonds require a net revenue of 125% of the current bond principal payments. The District met the net revenue requirements for the year ended December 31, 2005.

**12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters, for which the District is insured.



**SUPPLEMENTAL SCHEDULE**

**GRANGER-HUNTER IMPROVEMENT DISTRICT****BUDGET TO ACTUAL COMPARISON (NON-GAAP BASIS)****FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
Appropriation from cash reserves	\$ 1,000,000	\$ —	\$(1,000,000)
Metered water sales	10,432,696	11,146,890	714,194
Sewer service charges	6,967,304	7,732,140	764,836
Interest income	435,000	709,615	274,615
Property taxes	3,250,000	3,372,374	122,374
Engineering	25,000	38,976	13,976
Impact fees	2,850,000	1,292,744	(1,557,256)
Connection and turn-on fees	140,000	117,120	(22,880)
Inspection	225,000	123,588	(101,412)
Sale of surplus equipment	10,000	41,866	31,866
Other income	25,000	55,769	30,769
	<u>25,360,000</u>	<u>24,631,082</u>	<u>(728,918)</u>
<b>EXPENSES:</b>			
Salaries and wages	3,218,035	3,337,058	(119,023)
Employee benefits	1,661,036	1,704,291	(43,255)
Materials and supplies	1,643,984	1,158,997	484,987
Water purchased	6,209,000	5,901,514	307,486
Gas and diesel	123,027	127,773	(4,746)
Insurance	282,367	209,322	73,045
Utilities	560,402	548,536	11,866
Telephone	67,306	69,284	(1,978)
Professional fees	66,884	68,273	(1,389)
Seminars and training	88,050	67,688	20,362
Interest expense	841,836	1,056,712	(214,876)
Central Valley expenses	4,766,958	4,652,831	114,127
Capital projects	5,804,518	4,690,266	1,114,252
Miscellaneous	26,597	24,664	1,933
	<u>25,360,000</u>	<u>23,617,209</u>	<u>1,742,791</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ —</u>	<u>\$ 1,013,873</u>	<u>\$ 1,013,873</u>



# PINNOCK, ROBBINS, POSEY & RICHINS

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James R. Beaudoin, PFS, CFP, CPA  
Wade K. Watkins, CPA

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Granger-Hunter Improvement District

We have audited the general purpose financial statements of Granger-Hunter Improvement District, as of and for the year ended December 31, 2005, and have issued our report thereon dated April 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Granger-Hunter Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Granger-Hunter Improvement District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of Granger-Hunter Improvement District's management, Board of Trustees, and applicable federal and state agencies. However, this report is a matter of public record and its distribution is not limited.

April 25, 2006

*Pinnock, Robbins, Posey & Richins*



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## INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

To the Board of Trustees  
Granger-Hunter Improvement District

We have audited the financial statements of Granger-Hunter Improvement District for the year ended December 31, 2005 and have issued our report thereon dated April 25, 2006. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- . Public Debt
- . Cash Management
- . Purchasing Requirements
- . Impact Fees
- . Budgetary Compliance
- . Truth in Taxation
- . Other Compliance Requirements
- . Special Districts

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of the Granger-Hunter Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Granger-Hunter Improvement District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

This report is intended for the use of Granger-Hunter Improvement District's management, Board of Trustees, and applicable state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

*Pinnock, Robbins, Posey & Richins*

April 25, 2006



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April 25, 2006

To the Board of Trustees  
Granger-Hunter Improvement District

Dear Members:

We have completed our audit of Granger-Hunter Improvement District for the year ended December 31, 2005. Granger-Hunter Improvement District is ultimately responsible for the financial condition of the District, and for the District's compliance with finance related state and federal law. The Uniform Fiscal Procedures Act outlines responsibilities of the governing body.

The purpose of the financial statements is to report in summary form, the financial condition of the District, and the results of its operations and changes in financial condition, and to provide information to the governing body to help them satisfy their legal and political responsibilities for determining and demonstrating compliance with the various finance related state and federal law.

During our audit, we noted no matters involving the internal control structure and other operational matters that should be presented to the Board.

## **STATUS OF PRIOR YEAR RECOMMENDATIONS**

### **LEGAL COMPLIANCE MATTERS**

#### **Budgetary Requirements**

During our audit, we noted that the District did not give the required notice of its budget hearing. State law requires that the District publish notice of the hearing at least seven days prior to the public hearing.

#### **Recommendation**

We recommend that the District take care to insure that proper notice is given of all budget hearings.

#### **Status**

Proper notice was given for budget hearings held during the year.

#### **Treasurer's Fidelity Bond**

During our audit, we noted that the fidelity bond for the District Treasurer is not adequate. State law requires that the public treasurer secure a fidelity bond based on a percentage of the prior year's budgeted gross revenues. Based on this calculation, the District is not in compliance with State law.

**Recommendation**

We recommend that the District increase the treasurer's fidelity bond to at least the minimum required by State law.

**Status**

The District increased the treasurer's fidelity bond to an amount above the minimum required by State law.

\*\*\*\*\*

We sincerely appreciate the cooperation we received from the management and employees of the District during the course of the audit. It has been a pleasure working with them. We appreciate the opportunity to serve as your auditors.

*Pinnock, Robbins, Posey & Richins*

Pinnock, Robbins, Posey & Richins, PC